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INTERNATIONAL PAYMENTS UNDER A SYSTEM OF PAPER CURRENCIES

BY PROFESSOR GUSTAV CASSEL

When England in September 1931 abandoned the gold standard and her example was followed by a number of other countries, people everywhere supposed that it was merely a question of a temporary suspension of the convertibility of notes into gold. Gradually, however, it became clear that the step thus taken was of far deeper import. It signified nothing less than the abandonment of the entire system of basing the currency on gold. This involved the adoption of an independent paper currency, and the regulation of that currency with a view to the greatest possible stability. There has, it is true, been some vagueness about the significance of the term "stability", and indeed views on the subject have shown rather considerable divergence. But this much at any rate has been established, that the currency must be regulated independently of changes in the value of gold, which, to the detriment of the entire economic system, have become so marked as to elude calculation. Manifest endeavours have also been made to peg the paper currencies to the pound sterling as the leading currency. These endeavours have actually led to the formation of a "sterling bloc", which now extends to a great part of the world, thus following up the programme of the British Empire declaration, published immediately after the failure of the London conference.

In view of this development, we must now regard an international system of paper currencies, firmly linked with one another, not as a visionary ideal, but as an enduring reality with which we must make our account. In defiance of all established views, this system has been found to result in very considerable internal stability, and indeed a stability which, if measured in purchasing power in relation to goods, has actually far surpassed what has been achieved in this respect by the gold standard. The rates of exchange of the sterling bloc countries in relation to one another have likewise shown, broadly speaking, a large measure of stability.

The stability displayed by the new system of paper currencies was at first attributed to mere chance, but it has now been maintained so long that the public have begun to look upon it as an abiding factor.

The views held in the sterling bloc countries regarding the significance of the term "stability" are naturally still far from being clear and fixed. We further need more experience in the handling of the new system, and the entire economy of the different countries will have to be adjusted to that system. But, as progress is made in all these respects, the international system of paper currencies, being theoretically well grounded and based on practical experience, should inspire increasing confidence year by year.

It is true that in wide circles, even in the paper countries, people are still looking forward to a return to a gold standard. This, it is supposed, might be brought about by an agreement with the gold countries. Presumably, however, it would not be possible to reach such an agreement — and in any case it would not endure — without a radical reduction in the value of the gold currencies, which are now inordinately over-valued and seem to show a resistless tendency towards still greater over-valuation. A world monetary system with any degree of stability is conceivable only if the international values of the different currencies are fixed at levels tolerably corresponding to their internal purchasing power. But the suggestion of reducing the external values of the gold currencies

is still encountering so much opposition that we cannot expect its immediate realization in practice. And, even if such a programme were carried into effect, the world would wake up to the discovery that, after all, it had not returned to a gold standard system in the former sense of the term, but rather to a system of paper currencies having some connexion with gold. It would then be clearly realized that gold itself had no fixed value, and that efforts would have to be concentrated on the stabilization of the value of gold. Such a system would be, in a supreme degree, what people call a "managed currency". Thus a return to the former gold standard system, which is supposed to work automatically, is in any case out of the question.

In these circumstances the public are naturally taking an increasing interest in the question how an international system of paper currencies can be made to work properly, and especially how it will be possible to make international payments under such a system and to attain stability in the international rates of exchange. These questions are already occupying the minds of economists and bankers. The opposition which a system of paper currencies has encountered, and is still encountering, is largely due to apprehensions lest such a system would not work properly in these respects. Thus any light that can be thrown on this subject at the present time should be of real service.

The idea that an international gold standard cannot be dispensed with seems to be based mainly on the supposition that consignments of gold are necessary in order to make up deficits in the balance of international payments. Generation after generation, people have been brought up in the firm belief that this function is served by the gold reserves of the central banks, and therefore cannot imagine how the balance of international payments could be adjusted without consignments of gold. But this dogma will not stand examination in the light of reality.

In the first place, the gold reserves of the central banks are in most cases quite inadequate to equalize differences in the current balance of international payments. Such differences have to be adjusted either by permanent loans or by short-term credits and the movement of international securities. In the last resort the balance will have to be made up by an adjustment of the trade between the countries. In the second place, the central banks are, as a rule, very reluctant to part with any of their gold reserves in order to make up deficits in the balance of payments, and this theoretically possible expedient is therefore of far less importance in practice than is commonly supposed.

On the other hand, the gold standard system itself creates a need of consignments of gold for purposes of monetary policy or for pure speculation. The superstitious belief in the advantage of large gold reserves often induces the central banks to accumulate gold quite unnecessarily. Injudicious legislation on the subject of gold reserves is likewise largely responsible for much unnecessary shipment of gold. In times of trouble anxious craving for "liquidity" leads to a scramble for gold, which must be regarded as a direct consequence of the structure of the gold standard system and as having no necessary connexion with the regulation of the balance of international payments.

When a country, owing to abnormal circumstances, finds a really considerable deficit in its balance of payments, this, as has been shown especially by recent experiences, is apt to lead to the abandonment of the gold standard itself, in order to avoid a drain on the gold reserves of the central bank. The maintenance of gold reserves has in fact become an object pursued for its own sake, and taking precedence of all other interests. If difficulties arise, every effort is concentrated on the preservation of the gold reserves, and the balance of international payments is left to take care of itself. The convertibility of notes into gold is suspended, with a consequent depreciation in the international value of the currency. If, however, the internal purchasing power of the currency is then kept unchanged, this depreciation becomes an under-valuation which is found to be a powerful factor in adjusting the balance of payments. In the light of these facts, it is scarcely possible to maintain the traditional view that the adjustment of the balance of inter-

national payments is facilitated by a gold standard system.

Sweden's experience in this regard is particularly instructive, and provides useful material for the international discussion of these problems, in that the efficacy of an international system of paper currencies largely depends on how far minor countries are able to adjust themselves to a central currency such as the pound sterling.

Let us therefore examine what part has been played by the gold reserves of the Riksbank in the adjustment of Sweden's balance of payments. During the first few years of the existence of the Riksbank as a real central bank, 1904—1909, these gold reserves ranged between 60 and 80 million kronor. During all these years Sweden had a deficit in her balance of trade which far exceeded this modest sum, and in 1904 amounted to no less than 157 million kronor. Nevertheless the gold stock during this period showed, broadly speaking, a rather steady increase. True that the Swedish gold reserves were appreciably reduced in 1907. But this was due to the American bank crisis, which induced the United States to withdraw immense amounts of gold from Europe. The gold reserves of the Riksbank decreased from 76.5 million kronor on the 31st August 1907 to 70.3 million kronor on the 28th December 1907. Thus, owing to the large demand for gold in the United States, the Riksbank had temporarily parted with about 6.2 million kronor in gold. This loss, however, was made up in the following year. Thus at the end of 1908 the Riksbank had a stock of gold amounting to 78.2 million kronor, despite the fact that the years 1907 and 1908, taken separately, had shown deficits in the balance of trade far exceeding the entire gold reserves.

After the war Sweden found herself with a serious deficit in her balance of trade. For the years 1919 and 1920, taken together, this deficit amounted to nearly 2 milliard kronor. The gold reserves of the Riksbank, which at the end of 1918 amounted to 286.4 million kronor, were at the end of 1920 still at as high a figure as 282.7 million kronor. The decrease was thus merely 3.7 million kronor. On the other hand, the nett holdings of foreign exchange had dwindled from 583 to 290 million kronor. The immense deficit in the balance of trade had thus, in the main, been adjusted in other ways.

The gold stock of the Riksbank was subjected to some strain in 1924, when Sweden reverted to the gold standard. The gold reserves were then reduced from 271.8 million kronor on the 5th June to 237.0 million kronor at the end of the year, thus by 34.8 million kronor. This loss must be attributed solely to monetary policy. The gold with which the Riksbank thus parted could in any case not have sufficed to make up the deficit in the balance of trade, which in 1924 alone amounted to 163.5 million kronor.

The Riksbank sustained a new loss of gold in connexion with the general monetary crisis in 1931, when the reserves dwindled by 42.2 million kronor. When that point had been reached the Riksbank refused to part with more gold and suspended the convertibility of its notes into gold. The large deficit in the balance of trade, exceeding 300 million kronor that year, had to be adjusted in other ways.

The above figures should suffice to show that the current notions about the important part played by the gold reserves in adjusting the balance of international payments are based on traditional dogmas rather than on actual facts.

Under a system of paper currencies a country like Sweden will make up any deficits in her balance of trade in much the same way as she did during the gold standard system. No gold reserves are necessary for this purpose. Should the whole world agree to a system of paper currencies, the demand for gold for purposes of monetary policy would die down, and the adjustment of the international balance of payments would then presumably encounter no real difficulty.

A fair degree of freedom in international trade and in the movements of capital is, of course, a sine qua non. Otherwise no monetary system can attain any stability, and, as shown in recent years, an adjustment of the international balance of payments will be rendered possible only by stoppages of payments on an extensive scale.

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The above remarks should make it clear how it is possible to stabilize the rates of exchange under a system of paper currencies. It is attained by substantially the same means as under a gold standard system. It is not the gold standard that maintains the fundamental stability of the rates of exchange, but it is rather this stability that renders it possible to maintain the gold standard. Even under a gold standard this stability can be attained only by a monetary policy which maintains the currencies at their proper internal purchasing power. It is on such a monetary policy that the new system of paper currencies must likewise be based.

Since the London conference Sweden has actually maintained her rate of exchange on London almost exactly at kr. 19:40 to the pound. In so doing the Riksbank has proceeded in much the same way as it did during the days of the gold standard, when the leading aim of Swedish monetary policy was to maintain the pound sterling at its then parity of kr. 18:16.

If due regard is paid to actual experience, this investigation will show that there is no reason to apprehend that the regulation of international payments would meet with any real difficulty under an international system of paper currencies. There is rather reason to presume that the complete abolition of the gold standard would eliminate a number of disturbing factors from this important branch of the world economy.

THE HÖGANÄS WORKS

A HUNDRED-YEARS-OLD INDUSTRY RATIONALIZED

Höganäs-Billesholms A. B. is one of the oldest industrial enterprises in Sweden. It is in fact a direct continuation of Höganäs Stenkolsverk, which was founded in 1797. Coal had, however, been mined in Sweden serveral hundred years before: in fact the seams of coal crop out on the coast north of Hälsingborg and are there easily accessible. The first use to which Swedish coal was put was apparently for the illumination of neighbouring lighthouses. The mining of coal, however, had great difficulties to contend with, and the economic yield was, generally speaking, poor. The first profits of any importance seem to have been made in 1809—11 and to have been due to the continental system, which prevented the importation of British coal. The first dividends were paid during these years, but, some years later, they had to be repaid in the form of new contributions from the shareholders. The first real dividend was paid in 1845.

In the meantime the company had passed through various vicissitudes. In 1826 the deposits of refractory clay began to be exploited, which introduced an entirely new phase in the development of the company. At this time, as also subsequently, the investment of British capital in the company was discussed, but without result. As far back as 1829 the company's refractory bricks had acquired an extensive market. In that year such bricks were sold to North America and the West Indies, and the company had depots in most of the Baltic ports. The Swedish customs duty on British coal, which had protected the company in some measure during the first decennia of its existence, was abolished in 1843. The adverse effects of this seem, however, to have been of a transitory nature, seeing that the company was able to make its first real divident in 1845.

Then apparently followed a period of rather satisfactory profits. At any rate, the company's success evoked a great deal of competition. In 1856 and for many years afterwards there was a regular craze in Sweden for the appropriation of new coal deposits: considerable amounts of capital were invested and lost on drillings and explorations. In the year 1872 alone sums amounting to 470,000 kronor are reported to have been spent on drillings and mining work for the maintenance of claims. Most of these

activities resulted in loss; they led, however, to the establishment of a number of industrial companies based on the exploitation of coal and clay deposits, some of which were closed down, whilst others continued to exist. Höganäs-Billesholms A. B., which was founded in 1903, has gradually absorbed all these enterprises and has concentrated in its hands all activities in Sweden connected with the mining of coal and the exploitation of clay deposits. It is noteworthy that shares in the Swedish coal and clay companies figured prominently on the Swedish stock exchange before and after the beginning of the present century.

The Swedish coal and clay fields lie, as a rule, at a distance of not more than 15 to 25 kilometres from the coast. So far as coal is concerned this situation is considered to be a disadvantage, as competition with foreign coal is, of course, most severe close to the coast. As regards clay, on the other hand, and the industry based on it, which has gradually become the nucleus of the company's activities, this situation is a great advantage. The clay products are heavy and sometimes bulky and fragile, whence transport is a matter of great importance. As the clay works are situated in the vicinity of the company's fine harbour at Höganäs, there are excellent facilities for export.

Whereas the Swedish coal fields must be considered to be among the poorest of any of those mined at all, the Swedish clay fields are among the more important in existence. Höganäs therefore, owing to its situation, has a decided lead in the greater part of northwestern Europe. Moreover, the Höganäs clays are of superior quality and of varied character. Thus they provide raw material for the manufacture of ceramic products of widely different qualities, which supplement one another.

The Höganäs Works have in fact developed into the greatest enterprise in this line in northern Europe and are one of the leading in the world. Some of the company's high grade products are exported practically to all parts of the globe.

It may be questioned whether Swedish coal could have been exploited on any large scale had it not occurred in close conjunction with clay. On the other hand, it is highly probable that the clay deposits could have been exploited on a considerable scale irrespective of the occurrence of coal. It is obvious, however, that the occurrence of coal and clay in such close proximity to one another that they can be extracted simultaneously has been a factor of paramount importance in the origin and profitability of the enterprise. The clay industry has large requirements in regard to fuel for heating purposes, which can be supplied by inferior coal. The Swedish coal-fields contain a great deal of second-rate coal, which thus finds a natural use. The better grades of coal are sold. To find suitable uses for coal which cannot be put on the market has been attempted for a hundred years or so with varying results.

The manufacture of refractories began, as stated, in 1826, of glazed pipes in 1869 and in Skromberga of wall and floor tiles in 1886. In 1907 the company started at Höganäs the manufacture of silica bricks, in 1911 the manufacture of iron sponge from Swedish iron ore concentrates. For the last-mentioned manufacture fire-clay casettes are used, and the company's own coal is used for heating. In 1924 the company started the manufacture of natrolite, the raw material for which is a Höganäs clay. It has moreover taken up the manufacture of silicon carbide at the company's own smelting plant.

The manufacture of silicon carbide, the raw materials for which are petroleum coke or anthracite, may seem to fall outside the scope of the company's regular activities. The silicon carbide, however, besides being employed for grinding, is used for the manufacture at Höganäs of refractories of exceptionally high quality. This manufacture thus naturally fits into the company's scheme of operations. The Höganäs clays afford raw materials for widely differing qualities, and the addition of silicon carbide as well as of silica bricks has enabled the company to satisfy demands still more effectively. Seeing that three or four different kinds of brick varying in refractoriness etc., are often used in furnaces, a leading establishment such as the Höganäs Works must be in a position to offer several different qualities.

About half of the clay products are exported.

The situation and extent of the Swedish coal-fields are shown on the accompanying map. The coal deposits are estimated to be 100 million tons, out of which 18 to 19 million tons have hitherto been mined. The coal is of very varying quality, from so-called A-coal with on an average 5,200 calories and 10 per cent ash down to C-coal with 3,000 calories and 40 per cent ash. The inferior coal is used in the manufacture of clay products or for the central steam plant.

This steam plant, which was constructed before the war for a capacity of 7,000 KW, not only supplies the company's own requirements of electric power, but, as shown below, is also used for the transmission of power to outside consumers. The capacity of this plant is at present being extended by 10,000 kW. It is significant of the technical progress that has been made during the twenty years which have elapsed since the erection of the steam plant that the reconstructed plan will have a much better steam economy, will take up considerably less space, and will be less expensive to erect.

The output of coal, broadly speaking, has not shown much variation: from 1926 to 1934 it has ranged between 333,000 and 400,000 tons which is the estimated output for the last-mentioned year. There has thus been no large increase in output, nor is it expected to be any in future. The market for saleable coal is greatly curtailed by the costs of transport. The consumption of coal for the company's own requirements is limited by the potential expansion of the manufacture of clay products. Surplus power from the above-mentioned steam plant is being sold. In regard to coal the main interest of the company is concentrated not on increasing the output, but on rationalizing the production and use of the coal.

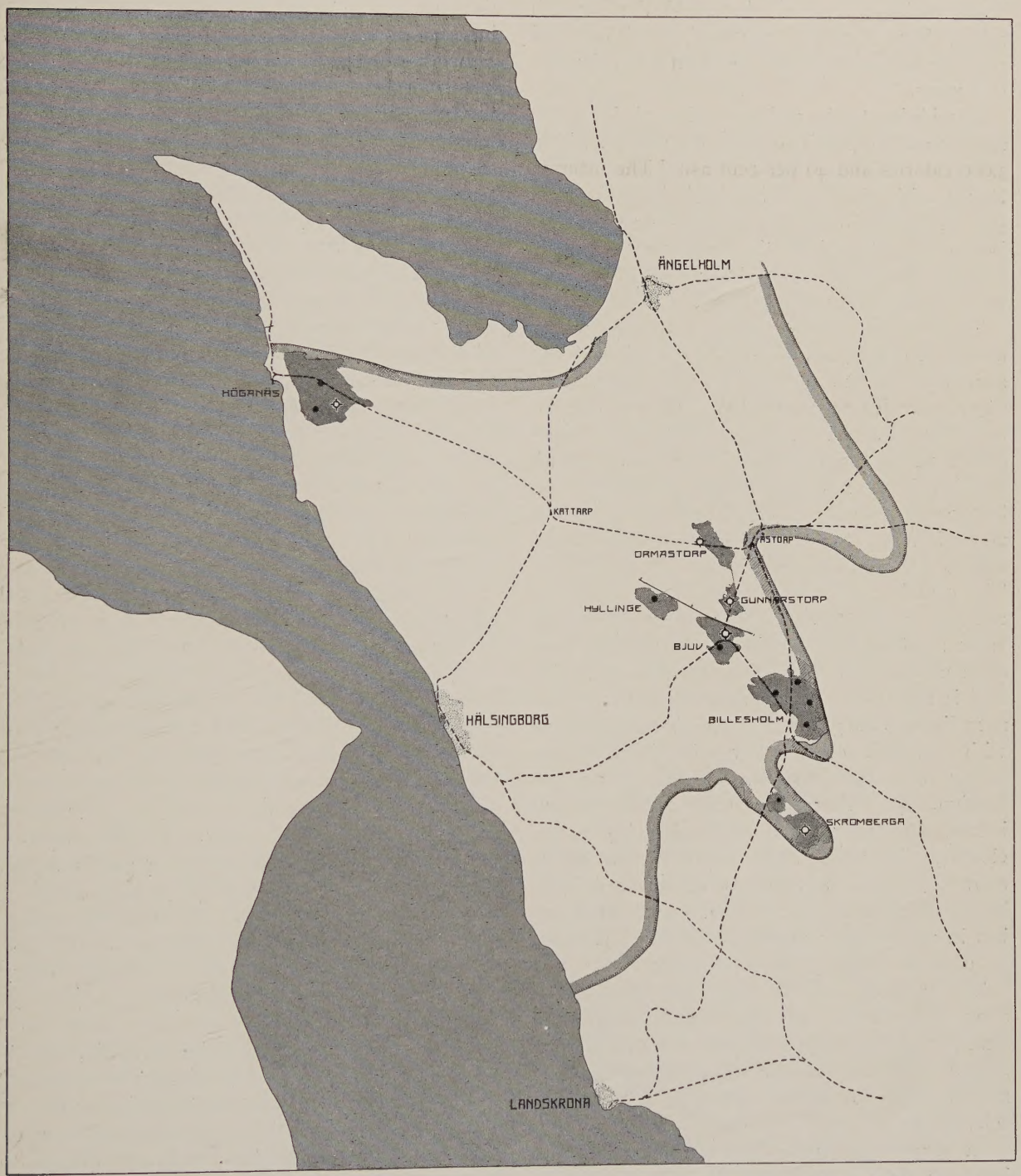
In November 1928 a thorough process of rationalization was started in the mining of coal as also in the manufacture of clay products. Foreign mining methods were studied and adapted to Swedish conditions. In view of the irregularity of the Swedish seams and coal fields, rationalization of the mining could not be carried out according to a uniform plan: separate plans had to be drawn up for each mine and even for different parts of the same mine, based on machinery adapted for each specific case. The result has been that in the course of a few years the number of pits has been reduced from 14 to 5, that the number of workers has been reduced from 2,250 (in 1926) to about 800, and that the output of coal has somewhat increased.

Each pit now serves a far larger area of the mine-field than before which, of course, entails a considerable saving. Instead special cheaper pits for carrying the miners can with advantage be constructed.

The process of rationalization has rendered it possible to increase very considerably the output of coal and clay per shift. At Höganäs, for example, the output of coal has increased from 1.6 to 3.7 tons, at Bjuv from 1.1 to 3.0 tons, and at Ormastorp, where only coal (not clay) is extracted, from 2.5 to 3.7 tons, all per productive shift. The low increase in the output at Ormastorp is due to the reduced mining of inferior coal: re-figured in calories the increase in the output per shift at Ormastorp is much larger. Including all the men employed in mining, the output at Ormastorp is at present about 2 tons per shift. It may be mentioned, by way of comparison, that the corresponding figure for the Ruhr coal mines is 1.68 tons, for those of Silesia 1.75 tons and for those of Great Britain 1.12 tons. Seeing that the Swedish coal seams are considerably inferior in thickness to those of Great Britain or Germany, this result is simply amazing. The fact that the Swedish coal seams lie much closer to the surface than is generally the case in Great Britain and Germany is of little consequence. On the other hand, some importance must be attached to the fact that in the British and German mines much of the filling material has to be procured from outside and in some cases from remote places. In the Swedish mines there is as a rule sufficient filling material in the mine itself.

The flow of water in the Swedish coal-fields is larger than in most foreign mines: for every ton of coal raised in the Swedish mines about 35 tons of water have to be pumped up. The costs of pumping, however, do not affect the profitability of the mines to any appreciable extent. The abundant flow of water entails

The Coal Fields in Skåne.



The black framed space marks the carboniferous formation. The worked parts of the field are shadowed.

⌑ Mine-shaft in operation.

• Mine-shaft closed.

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greater discomfort for the miners than in most foreign mines. On the other hand, the Swedish mines have the advantage of a suitable and uniform temperature and freedom from dangerous gases.

In addition to the rationalization of the actual mining and the improvement of transport within the mines — the coal being conveyed in 2,000 steel trucks with SKF ball bearings instead of in the old-fashioned wooden trucks — much work has been bestowed on the improvement of the method of sorting. The sorting plant is designed for a capacity of 300,000 tons.

The coal sold has in general a calorific power of about 5,000 calories as compared with an average of about 6,500 calories for foreign coals. In view of this considerable difference in thermal efficiency and the consequent additional expenditure on the construction of furnaces Swedish coal is sold at prices from 3 to 5 kronor per ton below the price of imported coal. It should be noted, however, that the purchase of Swedish coal entails considerable advantages to the buyers. The coal is supplied direct from the mines on railway trucks, whence the buyer can obtain fresh supplies daily and does not need to have any stocks of coal. Moreover, the ash of Swedish coal is refractory, contains no sulphur and does not adhere to the grates. For these reasons heating with Swedish coal involves considerably less repair of furnaces and hearths than firing with foreign coal. The sale of coal to railways has indeed been considerably reduced owing to the electrification of the State railways. But, as the above-mentioned advantages of Swedish coal have been more and more observed, the company has in recent years managed to extend its sales of coal to industrial establishments.

The sales of coal this year are estimated at about 200,000 tons, whereof 125,000 tons to industrial establishments, 35,000 tons to railways, 20,000 tons for household requirements and 20,000 tons to institutions such as hospitals, schools etc.

In connexion with the rationalization the hours of work in the mines have been increased, which has considerably improved the profitability of the mining. Whereas formerly the men worked $6^1/_2$ hours per shift inclusive of the time required for going down and ascending, they are now working $7^3/_4$ hours. This means an increase of at least one hour in the effective time of work per shift. The effective time of work has been increased also by a greater rapidity in the conveyance of the men under ground.

The wage for a man working in productive shifts, but not the foremen, was 7.59 kronor in 1928, but has now risen to 9 kronor per day.

With a view to install improved machinery the mining has been concentrated at certain spots. This has entailed economies in the conveyance of coal and of men in overhead carriers, the supply of air, structural work and the number of foremen. The best gauge of the extent of the mechanization is, perhaps, the consumption of electric power. At Ormastorp and Gunnarstorp the consumption per worker and year, exclusive of pumping, has increased from 616 KWh in 1926 to about 3,200 KWh at present. A still more significant fact is that the cost of production per ton of coal has been reduced during the same period by about 40 per cent.

The Höganäs clays are distinguished by the advantageous property that they contain in conjunction the two main elements in first class refractory bricks, grog and binding clay. Thus no foreign raw material whatever needs to be supplied, which allows a very considerable uniformity in composition. Some of the clay is burnt into grog whereupon it is mixed with unburnt clay. The grog is burnt in open fields in large piles of about 5,000 tons. The natural clay is mixed with a sufficient amount of coal dust to enable it to be burnt without the addition of any other fuel. This, of course, is a considerable advantage from an economic point of view. This burnt clay is exported on a considerable scale i. a. to German manufactories of refractory brick.

Other manufacturers of refractory bricks must as a rule burn their clay in kilns. This will be done to some extent also at Höganäs: a rotary kiln for the purpose is at present in course of construction at Bjuv. The object of this is to attain greater uniformity than can be obtained by burning in the open field. In view of the excellent raw material the old method of firing suffices for ordinary qualities. But new and

improved qualities are constantly being demanded by modern industries.

Rationalization on an extensive scale has been carried out also in the manufacture of clay products with the result that the output per shift has been considerably increased. These improvements have been based on time studies carried on for several years. At Bjuv, where the manufacture of refractory bricks of superior qualities is concentrated, a tunnel kiln was erected some years ago at a cost of about one million kronor. A similar kiln is just now being tested at Skromberga. Tunnel kilns for the burning of clay afford very considerable advantages as compared with the types of kiln previously employed, rendering it possible to meet more exact demands for homogeneous products. Whereas in accordance with the old method the firing took four or five weeks, it takes at the most one week in a tunnel kiln. This, of course, enables the products to be delivered with much greater rapidity. The new method entails also other advantages and economies. Owing to the large reduction in the time required for the manufacturing process, it has been found possible to curtail the production of "runners" and also to reduce the stocks. Moreover, a tunnel kiln enables a larger proportion of special shapes to be burnt than in the old kilns, which is an important matter, as the demand for special shapes is increasing more rapidly than that for standard bricks.

In connexion with these improvements in operation attention has been devoted also to stocks. By studying seasonal variations etc. it has been possible to adjust the stocks to the probable demand, which has entailed considerable saving. Whilst the total stocks have been reduced, arrangements have been made to enable practically all urgent orders to be filled from stock. This, of course, does not apply to special shapes made only to order.

In recent years the sale of superior qualities of refractories has increased considerably. This is due to the fact that industrial requirements for refractory brick are continuously increasing, and that these demands are being met. The company's experts study the needs of their customers with the greatest care, so that the most suitable kind of brick for each specific purpose can be offered. An effective technical service has been introduced. At present Höganäs refractories are sold at prices ranging from 50 to 800 kronor per ton.

Amalgamation with a view to divide the labour in the manufacture of clay products was started in 1903, when the Höganäs company was fused with Billesholm-Bjuv under the name of Höganäs-Billesholms A. B. This amalgamation was subsequently followed by the absorption of other competing establishments. Each of these establishments had manufactured different kinds of refractory brick as well as glazed pipes etc. The manufacture was then distributed between the various establishments on a proper basis. This first phase in the process of rationalization was followed up under the present management of the Höganäs Works by a second phase, which has entailed very remarkable results also in regard to the profitability. The best refractory clay is to be found at Bjuv, and the manufacture of highly refractory brick, particularly special shapes, has therefore been concentrated there. The establishment at Höganäs specializes on the manufacture of brick with a lower degree of refractoriness, and also makes glazed pipes and certain of the above-mentioned specialities, such as silica bricks, sponge iron and natrolite. The Skromberga clay, which is not refractory, but an excellent clay, is used for the manufacture of floor and wall tiles, glazed pipes and acid-proof bricks.

Refractory bricks are sold for many different purposes, including boiler plants, but chiefly to iron works and pulp mills, which latter are the chief buyers of acid-proof brick. The recent boom in the Swedish iron industry and the improvement of the situation in the wood pulp industry have favourably affected the sales and profits of the Höganäs Works. On the other hand, the general economic crisis of the last few years has resulted in a decrease of the sales in several branches. Great efforts are being made to increase the sales of tiles on new markets.

In connexion with the erection of the above-mentioned tunnel kiln at Skromberga a better method for the grinding of the clay is being introduced, which will result in improved quality. Moreover, systematic experiments have been conducted for a couple of years with a view to attaining suitable variations in colour in the products, so as to adapt them better to various modern requirements. At the pipe manufacturing plant at Höganäs the process of rationalization has been particularly thorough and has given very considerable results. In connexion herewith an improved process for the mixing of the raw products and new methods of drying have been introduced. Glazed pipes as compared with cement pipes, have the advantage of not being attacked by acid occurring in the soil or in discharge water.

Refractory clay has a high content of alumina, to which its refractoriness is chiefly due. Proposals to base a domestic manufacture of aluminium on the Höganäs clays were raised during the war. The project has, however, been abandoned. On the other hand, Höganäs clays are used on a rather large scale for the manufacture of aluminium sulphate.

It is interesting to note that the process of rationalization has been furthered by the increased speed of communication between the various establishments which motor transport has rendered possible. This has, for example, greatly facilitated the centralization of the administration. It has also enabled a central machine shop for the entire concern to be organized at Höganäs, in lieu of the separate shops which previously existed at each mine and manufacturing plant. In view of its higher standard in regard to machine equipment and management the central machine shop can naturally render more effective service than the minor shops distributed in various localities. A motor lorry makes daily rounds between the various workshops, bringing repaired parts etc., and taking with it anything that requires repair.

The relations between the company and its workers have always been the best. Generations of workers have succeeded one another and have so to speak been attached to the company by ties of tradition. As far back as 1867 and 1878 the Höganäs Works received awards of merit at the Paris exhibitions for social welfare institutions and workmen's dwellings. Pensions have been granted to the staff of workers for several generations. The rationalization has, of course, hit the workers hard, in that the staff of the entire establishment was reduced from about 3,800 hands in 1926 and 1929 to 2,100 in 1933. At the present time it is somewhat larger. Those workers whose services have been retained have been in receipt of considerably larger pay. The directors of the company have discussed a variety of plans for providing new openings for work. One of these plans has now been realized by the foundation of a subsidiary company for the manufacture of glass silk, A. B. Billesholms Glasull, which at present employs about 40 workers, chiefly women. This enterprise has been a successful venture. The works have already been expanded and are fully occupied.

The fact that the process of rationalization in the Höganäs Works was started before the outbreak of the economic crisis has undoubtedly been a great advantage. This enabled considerable economies to be effected during the worst years of the crisis, so that it did not weigh very heavily on the company. Furthermore, the company was well equipped to meet the new demands entailed by the improvement in the situation.

The economic results of the company's business will not be reported in this connexion. It should suffice to mention that, though in recent years and this year in particular considerable amounts of capital have been invested in new plants and modernizations, the company's liquidity has increased and is at present somewhat greater than on any previous occasion during the past few years.

The present output capacity of the Höganäs Works is about 400,000 tons of coal, 220,000 tons of clays, 110,000 tons of refractory bricks, 35,000 tons of tiles, 35,000 tons of glazed pipes. 15,000 tons of sponge iron, and 1,200 tons of natrolite, all per annum.

SWEDEN'S BALANCE OF INTERNATIONAL PAYMENTS IN THE YEARS 1925 TO 1933

The figures annually compiled by the Swedish Board of Trade for Sweden's balance of international payments are now available for the year 1933. As in the years immediately preceding, the unsettled conditions in the economic sphere have entailed much difficulty in drawing up the balance. Thus it has not been possible to take into account the fluctuations in the gold value of the Swedish krona: a Swedish krona has throughout been reckoned as one krona, irrespective of its gold value. There have also been difficulties in obtaining data regarding certain transfers of capital, especially as regards the increase in the credits raised abroad by Swedish exporters to cover them against currency risks. The figures for *movements of capital* must therefore be regarded as very approximative, whilst the margin for possible error is not so wide for the data regarding *income and expenditure.*

The collection of material for the balance was

Sweden's Balance of International Payments in the Years 1925 to 1933.
(In millions of kronor.)

	1925	1926	1927	[1] 1928	1929	1930	1931	[4] 1932	1933
Goods									
Exports	+1,359	+1,419	+1,617	[1] +1,575	+1,813	+1,550	+1,135	+ 964	+1,096
Imports	−1,446	−1,489	−1,584	−1,708	−1,772	−1,664	−1,439	−1,169	−1,109
Balance of trade	− 87	− 70	+ 33	[1] − 133	+ 41	− 114	− 304	− 205	− 13
Various invisible items.									
Freight receipts after deducting expenditure for coal, oil etc. in foreign ports	+149	+169	+183	+183	+205	+189	+139	+120	+116
Remittances of Swedish Americans to home country	+ 33	+ 35	+ 35	+ 35	+ 35	+ 30	+ 26	+ 35	+ 20
Income (inclusive of profits) from Swedish capital abroad	+ 30	+ 32	+ 48	+ 60	+110	+125	+108	+168	+115
Interest and dividends on Swedish securities abroad	− 20	− 20	− 24	− 30	− 75	− 90	− 94	− 30	− 25
Interest paid to foreign countries on foreign holdings in Sweden	− 7	− 5	− 5	− 5	− 5	− 15	[2] − 4	[2] 0	[2] − 1
Expenditure of Swedish travellers abroad (after deducting expenditure of foreign travellers in Sweden) etc.	− 20	− 20	− 24	− 28	− 30	− 25	+ 2	+ 4	+ 3
Total of various invisible items (nett)	+165	+191	+213	+215	+240	+214	+177	+297	+228
Nett total of goods and various invisible items	+ 78	+121	+246	+ 82	+281	+100	−127	+ 92	+215
Transfers of capital.									
Sale to foreign countries of Swedish securities	+ 34	+ 33	+100	+ 84	+130	+124	+149	+ 65	+ 49
Sale to foreign countries of foreign securities	+ 14	+ 25	+ 61	+ 41	+ 38	+ 74	+194	+154	+123
Other, non-specified, influx of capital	+ 25	+ 85	+205	+ 67	+ 90	+ 20	+448	+131	+186
Repurchase of Swedish securities	− 21	− 18	− 30	− 56	− 95	−130	−128	− 49	− 72
Purchase of foreign securities	− 34	− 84	−177	−134	−112	−405	−120	− 66	− 62
Other, non-specified, efflux of capital	− 50	− 25	− 50	−185	− 80	− 25	−491	−358	−433
Total transfers of capital (nett)	− 32	+ 16	+109	−183	− 29	−342	+ 52	−123	−209
Gold, silver and coin (nett).	− 3	+ 1	− 1	− 13	− 15	− 3	[3] + 38	[3] + 7	[3] − 43
Allowance for incomplete or doubtful data	− 43	−138	−354	+114	−237	+245	+ 37	+ 24	+ 37

[1] In 1928 there were lengthy stoppages of work in some of Sweden's principal export industries. — [2] Together with other items of income and expenditure (nett). — [3] Merely gold and gold coin. — [4] Revised figures.

made on about the same basis as in the year immediately preceding, whence the figures for 1933 and 1932 are fairly commensurable. On the other hand, some caution is advisable in comparing those years with the preceding years, especially as regards transfers of capital.

A summary of the figures for 1933 is given in the last column of the adjoining table, which, for the purpose of comparison, also contains corresponding figures for the years 1925 to 1932. The figures for 1932 have been adjusted on the basis of more precise data now available.

It will be seen from the figures that the tendency towards an increasing surplus of income which was shown in 1932 has in 1933 become still more marked. The plus balance for 1932 is 92 million kronor, for 1933 215 million kronor, thus an increase of 123 million kronor. This increase is more than covered by the reduction of 192 million kronor in the import surplus. Other items must thus have been reduced by 69 million kronor, which in fact, is shown by the figures for "various invisible items".

Particularly marked is the decrease in income (inclusive of profits) from Swedish capital abroad. The figures for the two years amount in fact to 168 and 115 million kronor respectively. This decrease is due to various events in the financial world last year. The chief of these was the devaluation of the dollar and the partial restriction in Germany's transfer of interests as well as, in connexion therewith, the postponement to the present year of the transfer of the interest for the second half-year on the dollar bonds. Subsidiary factors were the suspension or reduction of the payment of interest on the bonds of certain other countries, the abolition of the gold clause for bonds in depreciated currencies, the decrease in the holdings of foreign bonds and the reduction of the level of interest in general.

To estimate the part played by each of these factors is, of course, a very difficult matter. A rough estimate of the aggregate interest amount which would have been received if the full rate had been paid on foreign bonds gives a figure of 135 million kronor, whilst the actual amount was 115 million kronor (including an unimportant amount of capital profit). Out of these arrears of approximately 20 million kronor, a nominal amount of about 16 million kronor has so far been received this year, which has been paid cash to the extent of about 12 million kronor, on the assumption that the entire amount of scrips received from Germany has been sold. Loss of interest due to the suspension or reduction of payments of interest thus amounts to about 8 million kronor. How much of the difference between the 168 million kronor for 1932 and the above estimated 135 million kronor for 1933 is due to the devaluation of the dollar and the other factors enumerated it is impossible to determine, owing to lack of material. In the above calculations no account has been taken i. a. of the security for the so-called Kreuger bonds.

As regards other items of income the remittances of Swedish Americans to the home country show a decrease, namely from 35 to 20 million kronor. Part of this decline must be attributed to the fall of the dollar, but it seems to be mainly due to the greater acuteness of the depression in the United States in 1933.

On the expenditure side the continued depreciation of the krona is reflected in somewhat greater expenditure on the payment of interest on Swedish bonds placed abroad and payable in foreign currency. This increase has, however, been compensated by greatly diminished expenditure on the payment of interest on long-term investments, so that the expenditure on interest as a whole shows a decrease.

As in 1932, the surplus of income has been devoted entirely to increasing the foreign credit balances of the Swedish banks. The increase in these balances, 433 million kronor, includes, however, also the purchase sum for the gold deposited abroad in 1933. But, as the first-mentioned sum is much larger than the nett income, 215 million kronor, it must have been eked out from other sources. These additional items must have consisted of the nett export of securities and the increase of foreign credits, being mainly credits raised by exporters to cover them against currency risks. These credits are included under "other non-specified influx of capital", amounting to 186 million kronor.

THE ECONOMIC SITUATION DURING THE THIRD QUARTER OF 1934

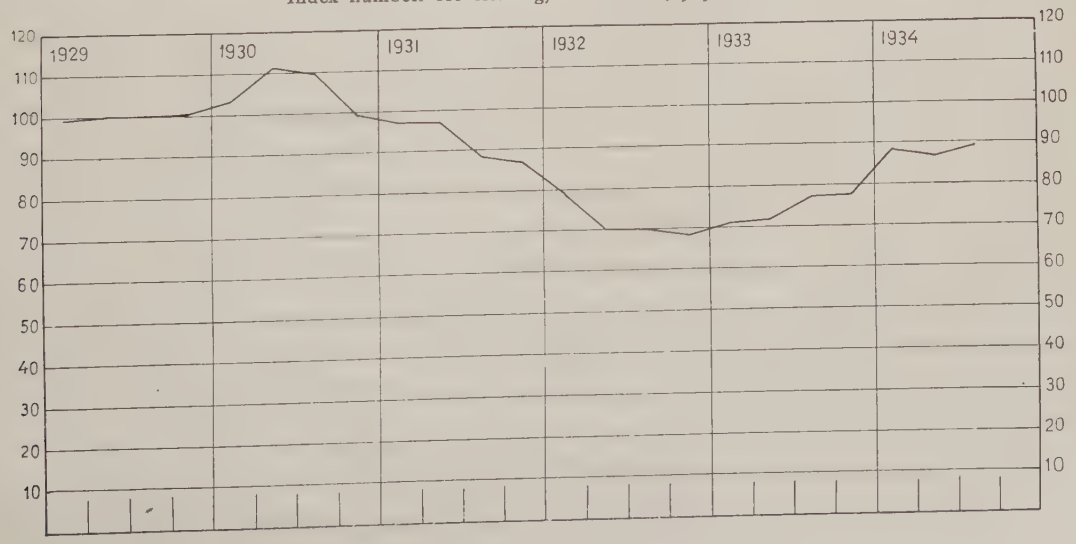
The General Situation. Also during the third quarter business activity in Sweden has been maintained at the high level attained in the early part of the year. The trade index of this bank, which shows the total value of the clearing of commercial paper, eliminating seasonal fluctuations, had risen for the first quarter of the year to 88.0, the volume of the clearing in 1929 being represented by 100. For the second and third quarters the index numbers were 86.7 and 89.0 respectively. These figures indicate that the recovery of business activity is showing some tendency to stagnation or, at any rate, is proceeding at a slower pace. In view of the fact that prices have fallen by nearly twenty per cent. since 1929, the figures also show that the volume of trade during the boom has, quantitatively speaking, been reattained.

As regards the general situation of the export industries, it should be noted that economic conditions in the world are at present marked by uncertainty and stagnation. Business activity in America steadily diminished in the course of the summer, though signs of an expected recovery have been noticed in September. In the gold countries the exporters are struggling with great difficulties owing to currency conditions, and more or less extensive import restrictions have therefore had to be resorted to. In Germany the shortage of foreign currency has entailed a drastic reduction of imports, and the disappearance of such an important consumer from the markets for copper, wool, vegetable oils etc., has been a serious injury to these markets. In England exports have not fully kept up with the general improvement in the situation, and a tendency towards the stagnation of business activity has been noticeable.

Severe drought in conjunction with reductions in output have reduced the world crops and have driven up the prices of cereals and cotton. The shortage of water has increased the demand for steam power and combined with the larger output in the iron industry, has created a greater demand for coal. Generally speaking, the world markets for raw products have been unsettled, and have latterly shown a falling tendency. The general uncertainty in regard to the trend of the

The Skandinaviska Bank's Commercial Index.

Index numbers for clearing, in kronor (1929 = 100).



situation has induced many consumers in various produce markets to adopt a waiting attitude in regard to new purchases.

In Sweden the harvest has turned out well, in fact probably better throughout than last year, and the shortage of water, which in the late summer again became menacing, has largely been remedied. Swedish industries, however, are still burdened with extra expenses for the supply of power, and some of the mechanical pulp mills in central Sweden have reduced their working hours.

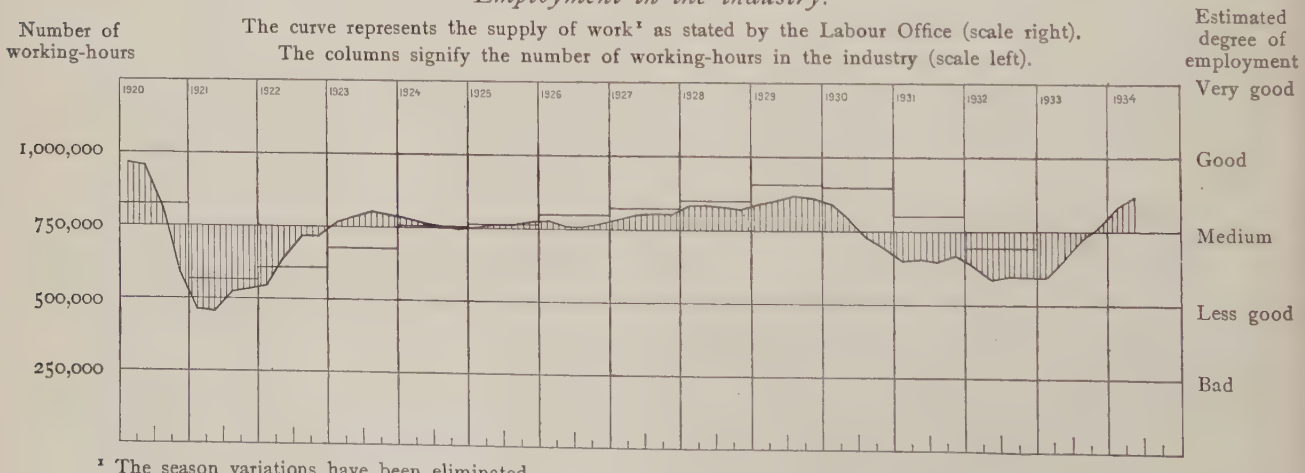
Foreign trade has developed favourably, and for the first eight months of this year had precisely the same total value as in 1931, when prices were on approximately the same level. Despite increased importation of industrial raw products and speculative purchases of cotton amounting to some 7 or 8 million kronor, Sweden's balance of trade at the end of August was more favourable than at the same time in the four years immediately preceeding.

		Imports	Exports	Export Surplus (+) or Import Surplus (−)
		Million kronor		
Jan.—Aug.	1929	1,098	1,108	+ 10
»	1930	1,092	1,016	− 76
»	1931	921	695	−226
»	1932	734	569	−165
»	1933	679	637	− 42
»	1934	822	794	− 28

The export of forest products has been on such a large scale that the situation of the wood and pulp industries may be regarded as very satisfactory, viewed statistically. The export of planed wood goods was about as large as in 1929 and of sawn rough boards larger than in the three years immediately preceding. The sales amounted at the end of September to nearly 800,000 standards, or nearly 90 per cent. of the shipments of last year. Moreover, the stocks on hand at the beginning of the year were rather small. In regard to sulphite pulp and sulphite paper as well as mechanical pulp and newsprint the exports were well maintained at the level of 1929, whilst as regards sulphate pulp and sulphate paper they were considerably increased. The year's output of wood pulp, especially sulphate, has been very nearly sold, and considerable sales have been made for next year. Rather large extensions of output have been planned at some pulp mills in the north of Sweden.

The usual summer lull in the sales was, however, more noticeable than usual this year, and the prices, especially for wood goods, have shown a somewhat weaker tendency. The reduction of British purchases of wood goods from Russia has redounded chiefly to the benefit of Canada, in that her exports to the British market have been trebled since last year. Those Russian wood goods which could not be placed in Great Britain were subsequently offered on the Continent at reduced prices, which naturally places Russia's competitors in a worse position for next sale campaign. In regard to chemical

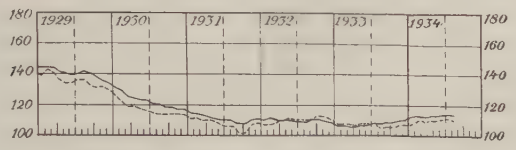
Employment in the industry.



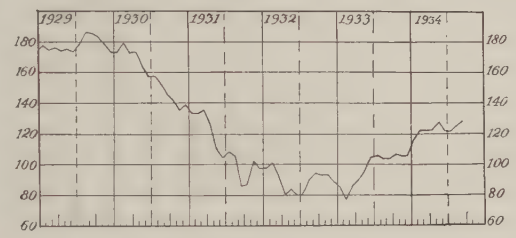
[1] The season variations have been eliminated.

Price Index of the Board of Trade.

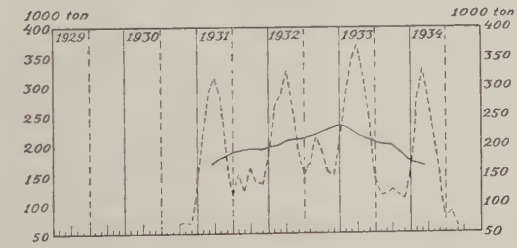
——— = all goods.
- - - - - - - - = raw products.
(Average 1913 = 100.)



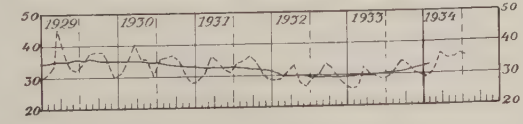
Index Numbers for Shares of 11 typical Swedish Industrial Companies.



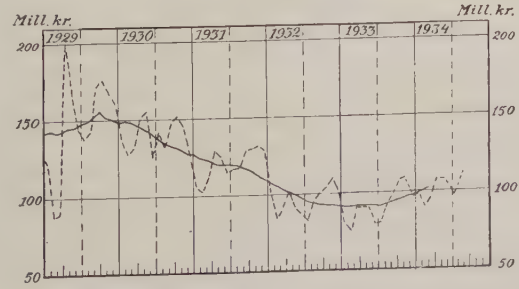
Laid up Swedish Tonnage.
(1,000 tons gross)



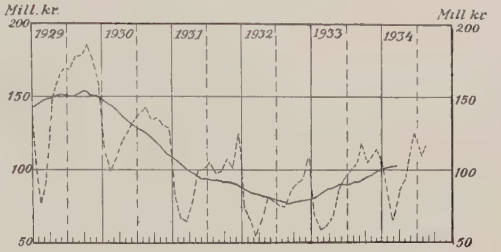
Millions of Axle-Kilometers travelled by Loaded Goods Trucks on the State Railways.



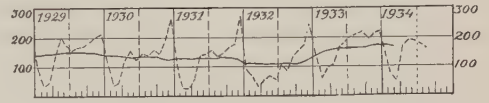
Import of Sweden.



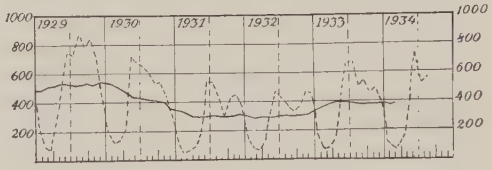
Export of Sweden.



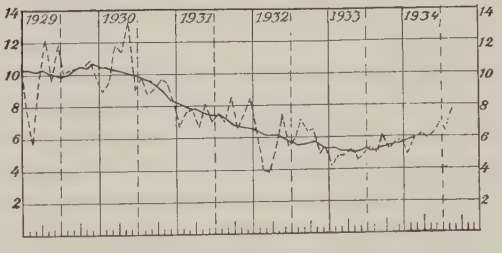
Export of Paper Pulp.
(Estimated air-dry weight in 1,000 tons.)



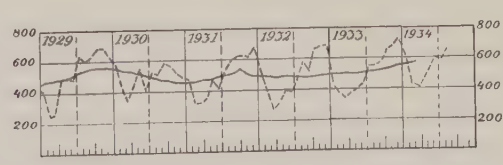
Export of Woodgoods.
(1,000 m³.)



Export of Products of the Engineering Works.
(Mill. kr.)



Import of Coal and Coke.
(1,000 tons.)



Everywhere except in the first diagram the dotted line — where it occurs — indicates the original figures and the solid line the moving 12 months' averages.

wood pulp the existing restrictions in output are being maintained. On the European sulphite market prices have been freed.

The settlement of the building strike in February soon led to considerable activity in building and in associated industries, such as the iron works, the cement industry, joineries, brickyards, tile-works and window-glass works. There is however, no real boom in building. Apart from the production of wooden houses in the villa suburbs, building activity in Stockholm this year will apparently be barely more than half as great as in 1929, when housebuilding proceeded very briskly. As compared with 1932 and 1933, however, the improvement is marked. A more active housebuilding has been reported from other parts of the country.

The consumption of iron within the country has apparently been on a record scale. In spite of considerable extensions of production in some establishments, the iron works have been very well supplied with orders; in fact difficulties have been encountered in placing orders for delivery within a reasonable length of time. The consequence has been that the imports of iron during the first eight months of the year have risen to about the level of 1929. This applies also, broadly speaking, to the exports. The increase in production as compared with 1929, or about 96,000 tons of ordinary ingots and about 71,000 tons of commercial iron, must, therefore, represent the increase in consumption on the domestic market during that period. The fact that the shipyards and exporting machine shops have, generally speaking, improved their position has, of course, also tended to increase the consumption of iron.

The home market industries, broadly speaking, are working under favourable conditions, and the textile mills in particular have enjoyed the continued benefit of a regular boom. The importation of cotton and wool during the first eight months of this year was about 45 and 30 per cent. respectively larger than the previous record figures for that period. Railway and shipping traffic is still brisk, and reports from the retail traders point to an increase of purchasing power.

The money market is still very easy. There has been no reduction in the rates of interest this year, except that the saving banks have adjusted themselves in increasing measure to the lower level of interest which had been established. During the period August 1933 to August 1934 inclusive the cash of the commercial banks has increased from 341 to 399 million kronor, corresponding to 11 per cent. of the deposits. The aggregate increase in the cash and currency reserves of the commercial banks during this period amounted to 147 million kronor. At the same time the holdings of the savings banks with the commercial banks increased from 94 to 198 million kronor, or by 104 million kronor. The currency reserves of the Riksbank have again beaten all previous records, and the note cover in gold and foreign currency is therefore still considerably more than one hundred per cent.

The Stock Market. Transactions in shares on the stock exchange during the past quarter have shown a decrease which cannot be entirely accounted for by the season. During the months of July and August the total transactions were very small, being about 333,000 kronor per day as compared with over one million kronor during the first quarter. None the less there has been a slight rise in share prices, almost all along the line. It seems that the unsettled times have deterred people from making investments in shares which, in view of the low level of interest, would otherwise have been alluring.

The fluctuations in the prices of leading industrial and bank shares on the Stockholm Exchange during the last few months are shown in the following table. The quotations are given in percentage of par.

	Number of Companies	1934					
		15/5	15/6	16/7	15/8	15/9	29/9
Engineering Workshops	4	113	108	112	115	116	116
Timber and Paper Industries	5	138	130	125	131	134	133
Combined Industries (wood and iron)	2	131	126	127	130	134	138
Total above Companies	**11**	**127**	**121**	**121**	**125**	**128**	**129**
Banking Companies	4	152	149	152	154	154	153

The Bond Market. During the past quarter there has been a practically continuous rise in bond prices, which has reduced the yield to such a low level that it marks a record perhaps for all times. In view of the shortage of suitable investments, the bond market seems to have adjusted itself to a new basis, and big investors seem to be content with a yield of 3.5 % for first-class securities. In fact the yield on the State 3 per cent. bond loan at present prices is $3^1/_4$ %, whilst the effective interest on short-term loans has fallen below 3 %. On short-term mortgage bank loans a yield of 3.1 % is obtainable. Good industrial loans yield somewhat less than 4 %, and those which are particularly in demand on account of their type or the security they afford, yield only $3^1/_2$ to $3^3/_4$ %.

The issue of bond loans during the quarter has been practically at a standstill, apart from two loans. The Swedish Government offered for subscription a $3^1/_2$ % loan of 70 million kronor at 99 per cent. When the subscription lists were withdrawn after about half an hour 345.5 million kronor had been subscribed. Furthermore, Boxholms AB., in connexion with a conversion, has raised a 4.5 % loan of 5 million kronor at 101 per cent.

The Swedish Residential Mortgage Bank has privately sold bonds pertaining to a newly issued $3^3/_4$ % loan of 10 million kronor. The sales have, however, been on a minor scale.

The Royal Swedish Mortgage Bank has given notice to repay its $3^3/_4$ % and 4 % bonds of 1883 and its 4 % loan of 1910, the two former loans as on the 30 March 1935 and the latter as on the 15 January 1935. Of these loans bonds amounting to 44.15 million kronor are outstanding. An offer for conversion will be made later in this year.

Finally The National Debt Office has given notice to pay off the Swedish Government $5^1/_2$ % dollar loan of 1924, whereof 13.2 million dollars are outstanding, being more than 51 million kronor at the present rate of exchange.

The following table shows the yield on representative Swedish bond loans during the last few months:

Swedish Government.	Number of loans	1934 $^{15}/_{5}$	$^{15}/_{6}$	$^{16}/_{7}$	$^{15}/_{8}$	$^{15}/_{9}$	$^{28}/_{9}$
3, $3^1/_2$ % and 3.6 % loans	3	3.60	3.63	3.64	3.61	3.49	3.42
4 % loan. Conv. 1941 .	1	3.10	3.22	3.14	3.03	2.75	2.87
Mortgage Banks							
$3^1/_2$ % loan	2	3.58	3.58	3.57	3.54	3.38	3.36
4 % loan. Conv. 1941 .	2	3.17	3.21	3.23	3.10	2.70	2.75
City of Stockholm.							
$3^1/_2$ % loan	1	3.53	3.53	3.51	3.43	3.32	3.18
4 % loan. Redeemable 1936	1	3.34	3.34	3.00	3.34	3.17	3.17
$4^1/_2$ % loan. Conv. 1940	1	3.49	3.54	3.44	3.44	2.92	2.81
Industrial Companies.							
$4^1/_2$ % loan. Conv. 1940	1	3.67	3.47	3.47	3.47	3.47	3.42
5 % loans. Conv. 1936—1942	6	3.92	3.85	3.94	3.83	3.71	3.66

Some Statistical Data Concerning

Currency Reserve, Stock of Gold, Note Circulation.

	Net Claims of Banks on Abroad million kronor (End of month)									The Riksbank's								
	Riksbank			Commercial banks			Total			Stock of Gold (million kr.)			Stock of Gold and Net Claims on Abroad (million kr.)			Note Circulation (million kr.)		
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	81	259	449	230	205	125	311	464	574	206	206	372	287	465	821	514	508	562
Feb.	91	260	506	219	218	85	310	478	591	206	206	373	297	466	879	497	506	560
March	113	308	507	208	161	77	321	469	584	206	232	374	319	540	881	531	531	644
I (Average)	**95**	**276**	**487**	**219**	**195**	**96**	**314**	**470**	**583**	**206**	**215**	**373**	**301**	**490**	**860**	**514**	**515**	**589**
April	114	257	484	207	169	103	322	426	587	206	266	367	320	523	851	548	549	617
May	122	263	458	177	185	130	299	448	588	206	266	368	328	529	826	531	525	601
June	133	318	445	168	164	171	301	482	616	206	266	370	339	584	815	545	524	654
II (Average)	**123**	**279**	**462**	**184**	**173**	**135**	**307**	**452**	**597**	**206**	**266**	**368**	**329**	**545**	**831**	**541**	**533**	**624**
July	163	305	457	161	116	188	334	421	645	206	340	371	369	645	828	540	531	612
Aug.	171	307	471	178	116	192	349	423	663	206	361	373	377	668	844	524	513	643
Sept.	178	342	469	175	100		353	442		206	378	374	384	720	843	553	625	695
III (Average)	**171**	**318**	**466**	**171**	**111**		**345**	**429**		**206**	**360**	**373**	**377**	**678**	**838**	**539**	**556**	**650**
Oct.	194	394		172	106		366	500		206	377		400	771		556	589	
Nov.	220	425		162	105		382	530		206	369		426	794		518	574	
Dec.	214	446		215	106		428	552		206	370		420	816		553	598	
IV (Average)	**209**	**422**		**183**	**106**		**392**	**528**		**206**	**372**		**415**	**794**		**542**	**587**	
Notes	The figures comprise balances with foreign banks and holdings of foreign bills and foreign bonds less amounts due to foreign banks									At end of month.						Monthly averages		

Rates of Exchange.

	Nominal Quotations of the Commercial Banks (Monthly Averages)											
	London Kr. for £ 1			New York Kr. for $ 1			Paris Kr. for 100 francs			Berlin Kr. for 100 Rmk		
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	17.910	18.382	19.400	5.217	5.471	3.848	20.644	21.490	23.996	124.042	130.720	145.430
Feb.	17.948	18.765	19.400	5.192	5.482	3.863	20.638	21.648	25.052	124.080	131.448	150.990
March	18.318	18.919	19.400	5.069	5.485	3.822	20.148	21.806	25.166	121.598	131.788	151.890
I (Average)	**18.059**	**18.689**	**19.400**	**5.159**	**5.479**	**3.844**	**20.477**	**21.648**	**24.738**	**123.240**	**131.652**	**149.437**
April	19.715	19.073	19.404	5.253	5.335	3.771	20.962	21.968	24.979	126.115	130.852	149.656
May	19.671	19.447	19.405	5.352	4.944	3.806	21.371	22.767	25.194	128.510	136.019	150.650
June	19.522	19.456	19.405	5.349	4.718	3.850	21.423	22.652	25.418	127.781	135.935	148.340
II (Average)	**19.636**	**19.325**	**19.405**	**5.318**	**4.999**	**3.809**	**21.252**	**22.462**	**25.197**	**127.469**	**134.269**	**149.549**
July	19.518	19.407	19.403	5.494	4.194	3.857	21.859	22.835	25.437	131.202	139.750	148.288
Aug.	19.483	19.400	19.400	5.608	4.315	3.836	22.217	23.187	25.563	134.278	141.481	151.417
Sept.	19.500	19.400	19.400	5.621	4.173	3.888	22.238	24.218	26.008	134.519	148.154	156.885
III (Average)	**19.500**	**19.402**	**19.400**	**5.574**	**4.227**	**3.860**	**22.105**	**23.413**	**25.669**	**133.333**	**143.128**	**152.197**
Oct.	19.388	19.400		5.706	4.166		22.631	24.296		136.462	148.413	
Nov.	18.809	19.401		5.740	3.797		22.731	23.788		137.269	145.375	
Dec.	18.317	19.400		5.589	3.798		22.023	23.331		134.010	142.333	
IV (Average)	**18.838**	**19.400**		**5.678**	**3.920**		**22.462**	**23.805**		**135.914**	**145.374**	
Par	18.1595			2.2038 [1]			14.6196			88.8889		

[1] On the 30th January 1934 the value of the dollar was provisionally fixed at 59.06 % of the former gold parity, Kr. 3.7315 per $.

N. B. England abandoned the gold standard on the 21th Sept., Sweden on the 28th Sept. 1931 and the United States on the 20th April 1933.

Sweden's Economic Position.

Commercial Banks, Stock Exchange.

	Commercial banks												Quotations of 11 typical Swedish Industrial Shares [1] In %			Shares sold on the Stockholm Stock Exchange (1000 kr.)		
	Deposits (million kr.)			Loans incl. bills rediscounted (million kr.)			Bills Rediscounted (million kr.)			Cash (million kr.)								
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	3675	3615	3665	4657	4138	3813	287	54	0.4	105	210	435	98	85	116	1392	359	1061
Feb.	3662	3635	3659	4635	4134	3807	245	18	0.5	102	165	485	101	77	122	1307	337	1354
March	3631	3621	3659	4633	4160	3830	308	34	0.7	155	191	442	[2] 92	86	122	1261	373	673
I (Average)	**3656**	**3624**	**3661**	**4642**	**4177**	**3817**	**280**	**35**	**0.5**	**121**	**189**	**454**	**97**	**83**	**120**	**1320**	**356**	**1029**
April	3580	3611	3628	4728	4146	3833	239	38	0.2	145	187	411	79	90	122	469	494	728
May	3549	3538	3553	4482	4082	3838	226	47	0.1	172	156	317	84	96	127	300	645	689
June	3532	3527	3559	4461	4070	3823	233	54	0.0	169	188	307	80	105	121	194	487	395
II (Average)	**3554**	**3559**	**3580**	**4557**	**4099**	**3831**	**233**	**46**	**0.1**	**162**	**177**	**345**	**81**	**97**	**123**	**321**	**542**	**604**
July	3616	3641	3629	4425	4012	3800	150	24	0.0	175	349	401	80	106	121	273	376	338
Aug.	3609	3640	3628	4414	3997	3810	124	0.9	0.0	172	341	399	90	104	125	505	305	355
Sept.	3625	3665		4421	3966		109	0.8		163	398		94	104	128	427	474	469
III (Average)	**3617**	**3649**		**4420**	**3992**		**128**	**8.6**		**170**	**363**		**88**	**105**	**125**	**402**	**385**	**387**
Oct.	3636	3669		4387	3919		92	0.7		211	474		93	106		319	702	
Nov.	3550	3627		4362	3899		109	0.7		184	359		93	105		291	504	
Dec.	3556	3629		4316	3905		115	0.6		180	390		88	105		312	554	
IV (Average)	**3581**	**3642**		**4355**	**3908**		**105**	**0.7**		**192**	**408**		**91**	**105**		**304**	**587**	
Notes	Deposits from and loans to the public within the country (at the end of the respective month)									Cash in hand, credit balances on cheque accounts with the Riksbank et cetera			Prices at middle of month			Averages per Stock Exchange business day		

[1] Revised figures. — [2] Refers to the prices on the 21st March when the Stock Exchange was opened, after being closed a week.

Rates of Interest and Price Level.

	Rediscount Rate of the Riksbank (%)			Effective Yield of Bonds (%)						Wholesale Price Index (Board of Trade) (1913 = 100)						Cost of Living Index (July 1914 = 100)		
				Govt. Loans [1]			Industrial Loans [2]			All Goods			Raw Materials					
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	6.00	3.50	2.00	4.72	4.05	3.65	5.60	4.88	4.22	109	106	112	107	107	108	157	154	153
Feb.	5.03	3.50	2.00	4.45	4.12	3.74	5.43	4.96	4.18	110	106	112	107	107	110	.	.	.
March	5.05	3.50	2.00	4.65	4.26	3.74	5.62	4.95	4.04	109	105	112	108	107	109	.	.	.
I (Average)	**5.36**	**3.50**	**2.00**	**4.61**	**4.14**	**3.71**	**5.55**	**4.93**	**4.15**	**109**	**106**	**112**	**107**	**107**	**109**			
April	5.00	3.50	2.00	4.71	4.32	3.72	5.96	4.93	3.93	109	105	113	109	106	110	157	153	153
May	4.77	3.50	2.00	4.44	4.24	3.60	5.74	4.92	3.92	109	106	113	110	107	110	.	.	.
June	4.03	2.50	2.00	4.37	4.19	3.63	5.39	4.84	3.85	108	106	114	109	107	111	.	.	.
II (Average)	**4.60**	**3.17**	**2.00**	**4.51**	**4.25**	**3.65**	**5.70**	**4.90**	**3.90**	**109**	**106**	**113**	**109**	**107**	**110**			
July	4.00	2.50	2.00	4.31	4.13	3.64	5.33	4.83	3.94	108	108	114	109	108	111	156	153	155
Aug.	4.00	2.50	2.00	4.33	4.01	3.61	5.06	4.76	3.83	108	108	114	109	105	109	.	.	.
Sept.	3.50	2.50	2.00	4.27	3.92	3.49	5.05	4.58	3.71	110	109		110	106		.	.	.
III (Average)	**3.83**	**2.50**	**2.00**	**4.30**	**4.02**	**3.58**	**5.15**	**4.77**	**3.83**	**109**	**108**		**109**	**106**				
Oct.	3.50	2.50		4.11	3.79		5.00	4.46		110	109		112	106		156	154	
Nov.	3.50	2.50		4.00	3.86		4.84	4.46		109	110		112	107		.	.	
Dec.	3.50	2.00		4.03	3.74		4.90	4.37		108	110		110	107		.	.	
IV (Average)	**3.50**	**2.33**		**4.05**	**3.80**		**4.91**	**4.41**		**109**	**110**		**111**	**107**				
Notes	Monthly averages			Calculated on market prices at middle of months						Calculated on prices ruling at middle of months						Refers to end of quarters		

[1] Revised figures.

Trade and Industry.

	Foreign Trade (million kr.)									Export of Forest Products								
	Import			Export			Excess of Imports (−) or Exports (+)			Sawn and Planed Wood Goods 1000 stds			Paper Pulp 1000 tons			Paper and Pasteboard 1000 tons		
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	101	81	98	74	68	89	−27	−13	− 9	25	35	18	89.3	133.6	159.5	40.9	36.2	44.4
Feb.	84	75	90	66	59	66	−18	−16	−24	11	12	7	68.9	59.9	77.3	46.7	38.9	37.0
March	92	90	100	54	61	83	−38	−29	−17	9	10	11	32.7	31.0	52.6	35.9	42.2	51.2
I (Average)	**92**	**82**	**96**	**65**	**63**	**79**	**−28**	**−19**	**−17**	**15**	**19**	**12**	63.6	**72.4**	**96.5**	**41.2**	**39.1**	**44.2**
April	102	90	109	66	68	92	−36	−22	−17	21	18	22	56.5	102.4	168.9	39.6	42.1	45.8
May	91	90	109	81	86	112	−10	− 4	+ 3	66	76	81	68.7	167.9	187.2	38.5	40.2	46.4
June	87	80	103	78	94	125	− 9	+14	+22	87	121	146	57.8	175.7	183.4	41.5	35.4	46.3
II (Average)	**93**	**87**	**107**	**75**	**83**	**110**	**−18**	**− 4**	**+ 3**	**58**	**72**	**83**	61.0	**148.7**	**179.8**	**39.9**	**39.2**	**46.2**
July	83	85	99	76	99	109	− 7	+19	+10	70	118	107	115.5	201.6	172.8	36.6	46.7	42.9
Aug.	95	92	113	74	103	116	−21	+11	+ 3	65	89	110	90.8	208.3	159.2	34.9	47.4	45.5
Sept.	99	98		85	117		−14	+19		63	98		135.6	214.5		29.9	49.3	
III (Average)	**92**	**90**		**78**	**106**		**−14**	**+16**		**66**	**102**		**114.0**	**208.1**		**33.8**	**47.8**	
Oct.	103	108		90	105		−13	− 3		75	93		156.1	195.9		38.4	45.4	
Nov.	110	109		93	114		−17	+ 5		95	100		172.9	207.2		42.9	46.8	
Dec.	101	98		108	108		+ 7	+10		94	81		245.2	221.5		45.8	45.9	
IV (Average)	**105**	**105**		**97**	**109**		**− 8**	**+ 4**		**88**	**91**		**191.4**	**208.2**		**42.4**	**46.0**	
Notes										Petersburger standard = 4.67 m³			Estimated air-dry weight					

	Export of Iron Ore 1000 tons			Export of Workshop Products million kr.			Index of Production according to Feder. of Swed. Industries			Supply of Industrial Work Index numbers			Wagon-axle Kilometres of loaded Trucks on State Railways			Unemployment in Trade Unions (%)		
	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934	1932	1933	1934
Jan.	150	180	178	6.20	4.08	4.90	97	87	103	·	·	·	28.5	25.6	29.6	24.1	28.8	24.3
Feb.	160	198	196	4.01	4.77	5.89	95	89	104	·	·	·	29.1	26.4	30.5	23.5	27.6	24.4
March	158	211	395	3.91	4.81	6.12	100	89	107	·	·	·	31.0	32.6	36.5	23.9	28.6	23.6
I (Average)	**156**	**196**	**256**	4.71	4.55	5.64	**97**	**88**	**105**	2.46	2.30	3.24	**29.5**	**28.2**	**32.2**	**23.8**	**28.3**	**24.1**
April	158	220	491	5.04	5.23	5.92	87	84	110	·	·	·	33.0	30.1	35.2	20.6	25.5	19.5
May	163	209	571	7.30	4.56	6.12	91	87	111	·	·	·	27.5	29.5	35.1	18.8	21.9	15.3
June	159	242	606	5.36	4.91	6.81	80	85	112	·	·	·	26.6	28.4	36.1	19.1	21.0	13.9
II (Average)	**160**	**224**	**556**	5.90	4.90	6.28	**86**	**85**	**111**	2.39	2.69	3.55	**29.0**	**29.3**	**35.5**	**19.5**	**22.8**	**16.2**
July	231	266	580	5.78	5.28	6.39	74	87	107	·	·		28.7	29.8	35.4	19.1	19.4	12.5
Aug.	208	297	568	6.99	4.97	7.67	81	91		·	·		29.9	32.3		19.8	19.6	
Sept.	190	273	567	6.28	6.07		85	90		·	·		33.5	34.4		20.4	19.2	
III (Average)	**210**	**279**	**572**	6.35	5.44		**80**	**89**		2.41	2.94		**30.7**	**32.2**		**19.8**	**19.4**	
Oct.	138	220		6.45	5.20		83	93		·	·		31.5	32.9		21.8	20.1	
Nov.	191	321		4.80	5.69		86	100		·	·		28.7	31.4		24.2	22.3	
Dec.	210	245		5.37	5.85		87	101		·	·		27.0	30.1		31.0	27.2	
IV (Average)	**180**	**262**		5.54	5.38		**85**	**98**		2.38	3.08		**29.7**	**31.5**		**25.7**	**23.2**	
Notes	Shipments of the Grängesberg Co.			Motors, electr. machinery, ball bearings, separators, telephones, etc.			Seasonal change removed Revised figures			The figure 3 denotes normal supply of work			Million kilom. per month			% of total members at end of month		

Stockholm 1934. Kgl. Boktr. P. A. Norstedt & Söner 342476

SKANDINAVISKA KREDITAKTIEBOLAGET

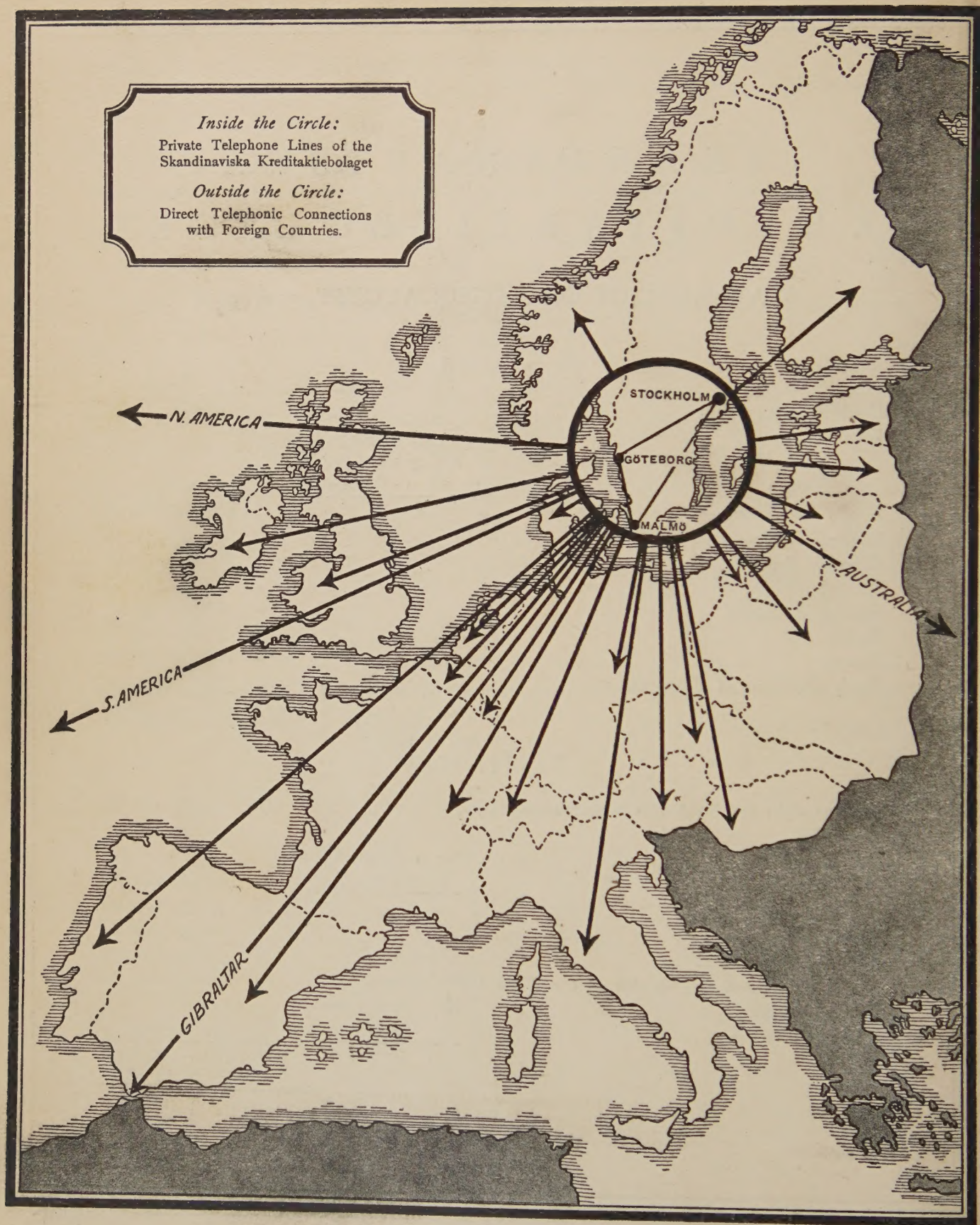
STATEMENT OF CONDITION AUGUST, 31st, 1934

Assets

Cash in hand		Kr. 97.605.483: 16
Bills:		
Swedish	Kr. 300.203.514: 01	
Foreign	» 18.693.026: 52	» 318.896.540: 53
Loans (secured)		» 366.766.168: 31
Current Accounts (secured)		» 74.173.551: 12
Swedish Banks		» 641.084: 02
Foreign Banks		» 23.031.942: 24
Sundry Accounts		» 88.529.055: 11
Bonds		» 23.952.626: 25
Shares		» 188.728.128: 92
Bank Buildings & Furniture		» 15.803.113: —
		Kr. 1.198.127.692: 66

Liabilities

Bills at sight in circulation (»postremiss» bills)		Kr. 13.361.167: 85
Deposits:		
at sight	Kr. 118.208.186: 20	
at notice	» 589.972.565: 47	» 708.180.751: 67
Swedish Banks		» 56.473.908: 16
Foreign Banks		» 12.710.028: 44
Sundry Accounts		» 75.401.836: 54
5½ % Registered Certificates of the Bank (»Förlagsbevis»)		» 200.000.000: —
Share Capital	Kr. 87.188.000: —	
Reserve Fund	» 44.812.000: —	» 132.000.000: —
		Kr. 1.198.127.692: 66


Inside the Circle:
Private Telephone Lines of the Skandinaviska Kreditaktiebolaget
Outside the Circle:
Direct Telephonic Connections with Foreign Countries.
STOCKHOLM
GÖTEBORG
MALMÖ
N. AMERICA
S. AMERICA
GIBRALTAR
AUSTRALIA